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he Pensions Age Northern Conference, now in its fifth year, took place online in December 2020, rather than in its customary host city of Leeds, but this did not deter the delegates from logging on to hear the usual quality line-up of pensions industry experts and thought leaders.

Chaired by *Pensions Age* editor, Laura Blows, the one-day event kicked off with a presentation by The Pensions Regulator's (TPR) investment consultant, Neil Bull, who offered TPR's views on some of the key investment themes in the UK pension space today.

Speaking in the shadow of Arcadia going into administration, Bull focused





on the investment risks facing sponsoring employers and pension schemes now and into the future. He reflected on a year that has been "volatile to say the least" and looked at what impact this has had on pension plans across the universe of defined benefit (DB) pension schemes.

"This is something that keeps us awake at night, from a regulator point of

view – this perfect storm of investment returns impacting funding levels at the very time when employer covenants are deteriorating and, in some cases, serious concerns about businesses continuing," said Bull.

He also pondered the possibility of negative interest rates and how schemes might be impacted, should it happen, and later updated delegates on some of the detail of the DB funding code consultation. Finally, he debunked several common myths surrounding the regulator's priorities and how it works.

Continuing on with the investment theme, Pictet Asset Management's senior multi-asset strategist, Supriya Menon, was next to present, as she shared her



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views on the current and likely future state of the investment markets and what this could mean for institutional investors going forward. She discussed the challenge of investors having to balance short-term influences, such as the US election results and Brexit, with long-term drivers, such as the increasing move towards a low carbon economy and secular economic trends, especially some of those developing as a result of the Covid-19 pandemic.

She finally explained her preference for equities over bonds, as equities, she said, "are the asset class that we believe has the best chance of delivering superior real returns as we move forward".

The role of illiquid assets was the focus of the following presentation, with SEI's client strategy director, Alistair Jones, beginning by explaining why a framework to determine the appropriate level of liquidity required by pension schemes is important to ensure they can meet their cash needs, especially in volatile markets.

Recognising that illiquid assets have become more popular among pension schemes in recent years, Jones went on to explore the case for illiquid assets and looked at what pension schemes need to think about when sizing an allocation to illiquid assets in a robust and responsible manner, "so that it is fit for purpose". He then went on to highlight the importance of the ongoing management and

monitoring of illiquid assets and how fiduciary managers can help in that regard. As well as the extra levels of transparency that a fiduciary manager can offer, "fiduciary management can help appropriately set, manage and monitor liquidity for you," he concluded.

Addressing pension schemes' income

requirements was re-visited in the next presentation, with Aberdeen Standard Investments' senior solutions specialist, Timea Varga, exploring how UK pension schemes are currently meet-

ing their cashflow needs, the different approaches that are being taken, and explaining what is meant by cashflow-driven investment (CDI) solutions. Varga also looked at which asset classes can be used, what buy and maintain credit solutions are and, by using case study examples, demonstrated how they can help clients address the increasing need for income in the current environment.

With Varga having touched on the significance of environmental, social and governance (ESG) issues in her presenta-

tion, sustainability was the focus of the next session, with M&G Investments' head of sustainable and impact investing, Ben Constable-Maxwell, discussing the power of the circular economy as "a fascinating solution to some of the societal challenges we face". He argued how the concept has a huge role to play and one that is just starting to be used as a solution to those challenges. "It is a concept that helps reduce waste, as a primary focus, but is combatting climate change as well and, importantly, from an investment point of view, can make simple financial sense."

He also offered examples of some of the companies already leading the way in this space.



The next keynote speaker of the day was Pensions Administration Standards Association (Pasa) president and Pensions Scams Industry Group (PSIG) chair, Margaret Snowdon, OBE, who tackled two interlinked topics in the pensions world today, scams and pension transfers. Snowdon first looked at the different types of pension scams there are prevalent today, how big the problem of pension scams currently is and, most significantly, their potentially devastating impact. She then looked at what the





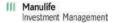
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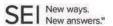














industry is doing to address the problem; the work PSIG is doing in this area; and also addressed what "administrators and trustees can and should do to protect members from potentially making the biggest mistake of their lives".

Finally, Snowdon's presentation looked at how administrators and schemes can achieve the seemingly impossible – fast transfers that are safe. "Together, we can make DB transfers faster and more efficient and that way everybody wins," she said.

The third keynote speaker was Pensions Dashboards Programme (PDP) principal, Chris Curry, who offered delegates an update on where the group is with the development of the dashboards to date. He explained what progress the group had made, as well as offered an indication of the PDP's direction of travel for the future. This began with a useful introductory video of the pensions dashboards ecosystem, which also highlighted what is being done to keep data as secure as possible. "An important part of what we are doing is making sure that the

consumer is at the heart of everything," stressed Curry.

"We are building the dashboards for the consumers and individuals to use and we want to make sure that they are built in a way that is of most use to those individuals and help them to do what it is they need to do," he added. He also highlighted how the PDP is working with various parts of the industry and laid out a phase plan and indicative timeline for progress.

ESG was back in focus again with the penultimate presentation of the day, with Loomis, Sayles & Company's director of ESG, Kathleen Bochman, and senior credit research analyst, Greg Schantz, looking at the evolution of ESG in credit markets.

This session looked at ESG integration and engagement, with specific examples in credit. The speakers looked at developments among credit rating agencies, how ESG can be integrated in all aspects of the investment process, and shared how a focus on the materiality of ESG factors allows credit investors to

be a positive influence for change without sacrificing investment performance. "Fixed income investors can really influence issuers – it's not just equity holders that can do it, but fixed income as well. We have the ability to speak with issuers, to identify areas that we expect to have changed, and to

continue to work with them throughout their issuance cycle, to get things done," explained Bochman.

The final presentation was from HNRG Timberland's managing director and deputy chief investment officer, Anthony Cascio, who explained what privately-held timberland and farmland investments can offer even during turbulent times. Cascio examined the current markets and outlook for these asset classes, to include the impact of Covid-19, and demonstrated why they tend to have a dampened, delayed reaction to temporal events.

"There may be more to unfold of the Covid story in the coming months, we won't be surprised to see some unexpected events that impact the markets for particular timber or agricultural products. However, at the portfolio level and for the respective asset classes in general that includes the underlying land, we continue to feel confident in the ability for timberland and farmland to perform in a steady manner over the long haul," he concluded.

Many thanks to all our speakers and sponsors, and we look forward to welcoming you back in Leeds this year.

The Pensions Age Northern conference can be viewed at www.pensionsage. com/northernconference

▶ Written by Francesca Fabrizi



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